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Philippines

Organic Products

Organics Market Brief

2000

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Report Highlights:
The Philippine organic industry/market, currently estimated at Pesos 250 million, is relatively small and in its infancy stage. Locally grown products are limited in variety but production is growing between 10-20 percent annually. It is estimated that demand for organic products will outpace local production. The potential for increased imports particularly for processed food products clearly exist. There is generally a lack of awareness and limited distribution for organic products, and a distinct price sensitivity for the greater mass of Filipino consumers. However, the niche market, comprised mostly of Filipinos who have traveled or have been influenced into the "healthy lifestyle" and for the expatriate community, is expanding mainly due to food safety concerns, eco-friendly advocates and for therapeutic reasons.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report

Manila [RP1], RP

Summary:

The Philippine organic industry is relatively small and in its infancy stage. Although it is interesting to note the domestic production growing between 10-20 percent, locally grown products are limited in variety. It is estimated that demand for organic products, chemical-free, pesticide-free and "natural" products will outpace local production. The potential for increased imports particularly for processed food products clearly exist. In addition, there are good prospects for imports of breeding stock, inputs like seeds, feeds, equipment and technology in support of increasing domestic organic production. The domestic organic industry is about Pesos 100 million and imports of processed organic food products are estimated at another Pesos 150 million. There is generally a lack of awareness and limited distribution for organic products, and a distinct price sensitivity for the greater mass of Filipino consumers. However, the niche market, comprised mostly of Filipinos who have traveled or have been influenced into the "healthy lifestyle" and for the expatriate community, is expanding mainly due to food safety concerns, eco-friendly advocates and for therapeutic purposes. A strengthening of purchasing power brought by an improved economy complemented by a stabilized currency are expected to redound to greater latitude for organic purchases.

Advantages	**Challenges**
Filipinos have high regard for American products	generally low awareness for organic products
Best prospects for importation to the Philippines are processed food products	limited range of locally produced and available organic products (mostly fresh)
Opportunities also exist for inputs and equipment	price premium on organic products vs. mainstream products
Philippine food standards generally follow US Food and Drug regulations	The European organic industry are more active and have closer relations with the Philippine industry
Philippine organic standards are being developed; labeling requirements unique to organic products do not exist	limited distribution and market penetration
The market is expected to grow faster than domestic production	market for organic products is mainly upper income consumers and expatriate community

II. Regulations and Policies

The Philippines has completed the final *draft* of the "Philippine Basic Standards for Organic Agriculture and Processing" which is based on the International Federation of Organic Agricultural Movements

(IFOAM) Basic Standards. These standards were formulated by a coalition of NGO's. It is post's understanding that public consultations on the proposed standards have been conducted. However, the lack of funds and government support has prevented field testings and final work for the enactment and/or implementation of the proposed standards. It is the industry's preference to have national standards and certification processes instituted rather than private certifiers. Local producers are also fully aware that a certification process is necessary to get into the export market without the expense of engaging the services of foreign certifiers . In addition, the greatest challenge to the industry, mainly due to the absence of instituted standards and certification process, is regulating producers, distributors and products that claim to be "organic".

The same food registration regulations, labeling requirements, import regulations and tariff rates currently apply to both organic and mainstream food products. That is, all food products must be registered with the Philippine Bureau of Food and Drug. Import permits are required for fresh fruits, vegetables, livestock and meat products.

III. Production

Data on organic agriculture production is not available and we can only rely on industry estimates. Other information is also scarce but the following gives an overview of the industry:

- The trade estimates that less than one percent of total Philippine agriculture adhere to organic farming. The trade further estimates that the Philippine organic industry is worth at least Pesos 100 million.

- The Organic Producers Trade Association (OPTA), which started with 11 incorporators in 1995 and grew to its current roster of 183 members, is largely responsible for the promotion of organic farming in the Philippines. OPTA is estimated to account for 60-70 percent of Philippine commercial organic production.

- The growth in organic farming is also fueled in large part by NGO's, eco-friendly advocates, and some religious organizations.

- Organic farms exist all over the country but major commercial production is concentrated in the provinces surrounding Metro Manila..

- Locally produced organic products are mostly fresh vegetables, fruits, herbs & spices, rice, sugar, soybean, honey, livestock and poultry, limited dairy as well as processed fruit and vegetable products, and fertilizers.

- The trade estimates that the domestic organic industry is currently expanding by approximately10-20 percent annually but growth could be accelerated with government support.

< The range of domestically grown organic products is very limited. Requirements and opportunities for export to the Philippines clearly exist for breeder stocks including genetics, inputs like seeds, feeds, equipment, and technology.

< At least one major agri-business firm is involved - it is well into the development of a 120 hectare organic banana plantation. All output has already been pre-sold to a Japanese importer.

IV. Consumption, Market Opportunities and Distribution Patterns

The market for organic products is comprised mostly of upper-to-top income consumers and the expatriate community. Filipino consumers are introduced to the organic lifestyle mainly through overseas travels and influence from family and friends who have embraced the "healthy lifestyle". Lately, more and more consumers are catching up due to food safety concerns and for therapeutic reasons.

Given the limited variety of domestically grown organic products, import opportunities clearly exist particularly for organic, chemical-free, pesticide-free, and eco-friendly and "natural" processed food products. In addition, there are good prospects for imports of breeding stock, inputs like seeds, feeds, equipment and technology in support of increasing domestic organic production. These are crucial to ensure steady supply and at the same time addressing concerns about the variety of the whole range of products available to sustain a healthy lifestyle.

Locally produced organic products are marketed mainly in weekend organic markets, direct selling, and to a lesser extent in independent organic stores and mainstream supermarkets. Imported products are distributed mainly in health food stores, independent organic stores and in doctors' clinics (mostly those attending to cancer patients). Post believes that the current distribution is extremely limited. Organic food sales could be boosted by expanding distribution via the mainstream supermarkets, adhering to the concept and convenience of one stop shopping. One producer reported that a significant portion of their sales (about 60-70 percent) are through the mainstream supermarket. Unfortunately, there still seems to be a some resistance among local retailers to introduce or expand an "organic" section in their stores. Independent "healthy" stores which actually started as retailers of food supplements have now increasingly become an important source of a wider range of organic and other natural food products.

Despite recent gains in the consumer base for organic products, the major constraint to increased consumption is the lack of consumer awareness. Given the price sensitivity of the greater mass of consumers, affordability also becomes a major consideration. It is to be noted that some organic products may carry an average of 20-30 percent price premium over conventional products. It is expected that the recent economic gains and currency stabilization will redound to greater latitude for organic product purchases.

Notwithstanding the above constraints, sales of organic products could be greatly enhanced by more aggressive consumer education, market development and promotion. A clear example is that of a producer who was overwhelmed and unable to meet customer demand after he was featured just once in a major newspaper. U.S. exporters should work closely with their Philippine importers and customers. Likewise, U.S. exporters should commit to providing promotional support and ideally including advertising support.

The Organic Producers Trade Association (OPTA), has undoubtedly been the major force behind the development of the Philippine organic industry as it consistently spearheads activities related to the promotion of organic farming, marketing and promotion of their products. OPTA's efforts have been largely supported and complemented as well by NGO's and eco-friendly advocates. The Center for International Trade Expositions and Missions (CITEM) of the Philippine Department of Trade and Industry provides support in exploring and developing export markets. CITEM, in fact, sponsored the Scientific Conference and General Assembly of the International Federation of Organic Agriculture Movements (IFOAM)-Asia in the Philippines in November 1999. Competitor organic producers have also been aggressively supporting the domestic production. Post feels that the U.S. industry can contribute and complement existing efforts at further developing the Philippine industry and expanding the market for organic products.

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Further information on organic products, including a monthly organic newsletter, can be found at the Horticultural and Tropical Products Division home page as follows:

http://www.fas.usda.gov/htp/organics.html